its increase, more rapid than that of population, in civilized states during the last sixty years and more, is a fact of which the evidence strikes the eye of everyone who studies and reflects. The economists know the causes of the phenomena; the statisticians are trying to measure their intensity."

ALBION W. SMALL.

The Silver Situation in the United States. By F. W. TAUSSIG. Publ. of Amer. Econ. Assoc., Vol. VII., No. 1. January, 1892. 8vo., pp. 118.

This monograph conveys to the general reader a clear account of the operations and character of our monetary legislation since 1878, particularly such as relate to silver coinage, and furnishes in compact form a considerable store of facts coupled with a lucid explanation of them. While nothing, in the nature of the subject, is especially recondite or new, yet the value of the book lies in the giving of a connected story of our monetary activity in a period when our legislation has been exceptionally eccentric.

Part I. treats of the "Economic Situation;" Part II. (pp. 85–118) treats of the "Argument for Silver." In Part I., after explaining the act of 1878, a division is made into the periods 1878–1884, 1885–1886, and 1886–1890. The period of 1878–1884 was marked by an increase of silver dollars in actual circulation; a rough correspondence between the amount of silver currency authorized and the amount in circulation; and a supply of net gold in the United States Treasury varying about the line of $150,000,000. In the period of 1885–1886, a suspension of gold payments by the Treasury was feared; the actual circulation of silver dollars reached their highest limit at about $60,000,000; the silver coined collected in the Treasury, and the amount of silver currency authorized was far larger than the amount in circulation; and the net gold in the Treasury dropped below $120,000,000. In 1886–1890, business prosperity was coupled with devices for making a place for silver currency in our circulation; by 1889 the annual coinage of silver was pushed out of the treasury into the hands of the public, through the use of small denominations of silver certificates and the shrinkage of the National Bank issues; the silver dollars could not be kept above about $60,000,000; and the net gold in the treasury, which in 1888 had risen above $210,000,000, steadily fell to about $120,000,000 again. The author

then describes the Act of 1890, and ventures upon a discussion of money and prices, followed by a guess at the future.

Part II. discusses only one part of the bimetallist argument, that dealing with the general effects of a fall of prices; and the conditions of agriculture which may produce results wrongly ascribed to the action of money. The more abstruse parts of the theory are not dealt with.

In the treatment of the general principles underlying the facts, the author's condescension toward "the standard books on political economy," and the "usual statements of the theory of money" naturally do not protect him from setting up men of straw which are very easy to knock down. In his description (pp. 13–14) of the way in which silver money would push out gold, his supposed case is quite apocryphal. If silver, by a system of practical redemption, is kept at a value equal to gold, in no "standard books" is it taught that gold would be driven out, except through a rise of prices, and the establishment of a different international equilibrium of the precious metals. Nor is it correct to assume, as does the author, that it was expected that the principles would work themselves out with a "mechanical simplicity" unaffected by changing conditions. This assumption is not warranted by past economic writing. The reprobated statement assigned to "standard books," is that after gold disappeared prices would accommodate themselves to the new measure of value — certainly nothing novel; and yet he himself says, (p. 80): "eventually, no doubt, the steady excessive issue of silver notes would bring about both the gold premium and the higher prices." He really comes back, in several cases, to the position of which he previously appears to disapprove.

Again (pp. 61–62) the reader is given to understand that new discoveries are promised him by words which refer slightingly to previous economic writing: "The general impression derived by the reader of most treatises and text-books on political economy is that an increase in the quantity of money is the direct cause of a rise of prices." This is quite misleading; it reads like a sentence from the circulars of the advocates of the free-coinage of silver. Since 1848, J. S. Mill, at least, taught no such thing, when he said: "In a state of commerce in which much credit is habitually given, general prices at any moment depend much more upon the state of credit than upon the quantity of money." And yet the author (p. 63) says: "the enormous development of credit in modern times compels a modification which has not indeed failed to receive attention from economic writers," etc.; and he

says, (p. 64): "the effects of credit as a substitute for money have been explained in economic text-books so fully that they may be assumed to be well understood." The general impression produced, however is that the true theory had never been expounded before these pages saw the light. This admirable monograph and the author's ability do not require him to adopt this tone toward economic writing, with which he is in practical agreement, as if it were necessary to conciliate weak-kneed brethren by statements which would convey the idea of being on both sides of the controversy.

In the examination of the events since 1886 which made it possible to keep the silver out of the Treasury, the author treats of the action of the National Bank circulation in the most general manner (p. 41). The decline of the amount of note issues is connected with the redemption of bonds; but no investigation is given of the very striking change in the amount of the redemption fund in the years 1885–7, followed by a sudden decline. The sums deposited for the retirement of issues steadily increased from 1878 to 1888, remained about $40,000,000 until 1885, then mounted to over $100,000,000 in 1887, steadily dropping thereafter to a point about $35,000,000 in 1891. The amount of this fund reflects directly the intentions of the banks as to the contraction of their note circulation; but this is not noticed, although the movement is very striking. The explanation is found in the forced release (Finance Rpt. 1890, p. 402) of 3 per cent. bonds held by the banks in 1887. From a holding of $107,000,000 in 1886, the amount fell in 1887 to $5,000,000. That is, the payment of 3 per cents., owing to a large surplus, forced the reduction of National Bank issues.

A curious position is taken in the reference to "appreciation of gold." Regarding the explanation that the fall of prices has been due to improvements in production of commodities, and not to a scarcity of gold, the author remarks: "So far as it endeavors to disprove the appreciation of gold, or to show that the general fall is not due to this appreciation, I have never been able to see its force. In truth, both the bimetalists and their opponents seem to confuse the question when they speak of the appreciation of gold as causing lower prices. The appreciation of gold *is* the general fall in prices" (p. 94). Could anything be more absurd? Has anyone ever supposed in this discussion that value, or price, was not expressed as a ratio, in which money is one term and commodities another? If so, the protest of the author is decidedly *naïve*. Of course, when commodities fall relatively to gold,

gold is dearer relatively to commodities; that is no great discovery. But it is an important question—and the real one—whether the change in the ratio has been caused by a shrinkage of the gold-term or by a lessened cost in the commodities-term.

In treating the difficult questions of credit and prices, the author's views may not meet with general acceptance when he says:

"Evidently, it remains true that an increase in the quantity of money leads to higher prices. In any community whose habits and ways in the use of credit are constant, the superstructure of credit will be, in the long run, proportional to the amount of money permanently outstanding. A permanent increase in the coin forming the basis of the machinery of exchange *will be followed by an expansion of credit*, both in the form of bank credit and in other forms, and by a rise in prices. The correspondence between the increase in the quantity of money and the rise in prices will show itself only in the course of time, and will probably never be exact; but in the long run there will be some rough sort of correspondence." (p. 79)

What seems to the writer the fallacy of this theory is in tracing the effects of money on prices through the medium of credit, instead of allowing to money itself and to credit itself their respective influences on prices. The author is thus confronted with the difficulty of showing that the use of credit depends directly upon the number of coins in the community; when every one knows that men increase or diminish their resort to credit for commercial reasons connected with conditions of trade and production quite independent of the quantity of gold and silver in the banks, or outside the banks. In fact, in the very nature of credit devices, although values are expressed in terms of money, liquidation is performed by offsetting goods against goods. To suppose that credit,—which is ultimately a transfer of goods—is dependent on the quantity of money is to get close to the idea that there must be as much coin as there is wealth; or, to the fallacy that the market rate of interest on loanable wealth depends upon the amount of money in circulation.

There are errors of fact, some of which are here mentioned. The inflation bill was that of 1874, not 1878 (p. 10). The Bland bill, as it passed the House of Representatives, is wrongly stated to provide for "complete bimetalism" (p. 13); for any system granting free coinage of gold and silver at a ratio admittedly different from the market rate, and which would instantly bring about a single standard, would be disowned by any true bimetallist.

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